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Shaming them into paying taxes: STATE POSTS LISTING OF TOP DELINQUENTS

By Mark Schwanhausser, San Jose Mercury News, Calif.

Oct. 13--California's tax collectors hope you'll agree there are better ways to score your 15 minutes of fame than by drawing comparisons with O.J. Simpson.

But that's precisely the fate of more than 200 people and corporations whose names will be forever linked with Simpson's after the state Franchise Tax Board published its first ranking of the biggest tax deadbeats Friday.

The tax board has a wide range of carrots and sticks at its disposal. But this is the first time it has employed public scorn, at least of this variety. Under a state law that took effect this year, the tax board must publish the names of the 250 biggest delinquent personal and corporate taxpayers annually.

"Some people may care about their public reputation," said state Controller John Chiang, who chairs the tax board. "Some people may not want to be on a list with O.J. Simpson."

The list -- posted online at www.ftb.ca.gov -- includes well-known names such as the aforementioned Orenthal James Simpson, who owes more than \$1.4 million, and singer Dionne Warwick, who owes nearly \$2.7 million.

But it also includes people who otherwise might seldom draw public attention, starting with Waheed U. Begum of Fremont. His \$10.6 million tax bill ranked him No. 1 among those owing personal income taxes. The list does not include taxpayers who are fighting their tax bills in court, have sought bankruptcy protection or have set up payment plans.

Citizens failing to pay their taxes is an age-old problem. And, in a way, the state's deadbeat list is akin to what some cities do to combat the world's oldest profession by publicizing the names of "johns" caught hiring prostitutes, said William G. Gale, a tax policy expert with the Brookings Institution.

"It seems like it's worth a try," Gale said.

It looks like shame worked in this case.

The inaugural list didn't include the full 250 names because 26 taxpayers stepped forward after receiving 30 days' notice that publication of the list was imminent. Those 26 taxpayers already have paid about \$300,000.

California is the largest state to try this tactic, but it's hardly the first. That honor belongs to Connecticut, which boasted that it collected \$108 million the first four years of the program, said Stephen Mazza, a law professor at University of Kansas-Lawrence. At least 10 states have tried similar lists, including New Jersey, Indiana and Louisiana.

But inducing deadbeats to cough up cash is only part of the point, Mazza said. Perhaps more important, it discourages law-abiding taxpayers from thinking about dropping out of the tax system.

"It assures those folks who are likely to comply that they're doing the right thing," Mazza said. "If otherwise compliant taxpayers thought everyone was cheating, they might feel like chumps and not comply."

The list suggests the state is not chasing chump change, however:

--The state claims the 224 remaining deadbeats owe more than \$249 million. The state estimates it will rake in \$30 million this year and \$5 million each subsequent year.

--The 210 individual taxpayers on the list owe bills that range from \$10.6 million to \$201,000. That worked out to a median bill of \$486,000. That includes at least 43 Bay Area residents, who owe a median of \$474,000.

--The 14 corporate taxpayers owe from \$27 million to \$418,000 -- with the median bill hitting about \$810,000.

Josh Rosenberg, a law professor at the University of San Francisco, thinks the deadbeat list can't hurt the state's effort to defeat tax cheats. But what's really needed is an attitude shift. As he sees it, people should view paying taxes as honorable -- and should view tax cheats as if they were thieves robbing Uncle Sam or California.

"If they saw somebody stealing money from somebody else and ratted them out, they would be a good person," Rosenberg said. "But if they saw someone stealing from the Internal Revenue Service, it's like they're Robin Hood. We have to change that whole mindset."

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